

ROUTING AND RECORD SHEET

SUBJECT: (Optional)
Dept of Health & Human Services comments on Labor Dept. view H.R. 2672
"Federal Retirement Reform Act"

FROM:	EXTENSION	NO.
		DATE
Chief, Retirement Division 906 Ames Bldg		27 February 1986
TO: (Officer designation, room number, and building)	DATE	
	RECEIVED	FORWARDED
	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. DD/EBS		<p>C/RD and C/IOD have reviewed this package. They advise that the package deals with how Social Security and FECA benefits are offset in conjunction with the new supplemental retirement program. None of the comments will create any specific negative impact to benefits provided our employees. The changes are all procedural.</p> <p>1 to 2 & 3</p> <p>Recommend your signature on the attached. We believe the Health and Human Services comments are appropriate.</p>
2. DD/Pers		
3. D/Pers		
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FORM
1-79

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USE PREVIOUS
EDITIONS

D/Pers

86-0939

MAR 3 1986

MEMORANDUM FOR: Director of Congressional Affairs

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Department of Health and Human Services comments
on Labor Department views letter on H.R. 2672,
"Federal Retirement Reform Act"

REFERENCE: Memo to Multiple Addressees from OMB,
dtd 21 Feb 86, Same Subject

We have reviewed the comments from the Department of Health and Human Services forwarded with reference and have no objections to the statements and recommendations contained therein.

Robert W. Magee

Robert W. Magee

STAT C/RD/EBS/OP (27 Feb 86)

Distribution.

- Original - Addressee
- 1 - DDA
- 1 - D/OP
- 1 - DD/Pers/EBS
- 1 - C/RD/EBS



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

C. D.
Suspense
SPECIAL *57 Feb-*

February 21, 1986

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -
Labor Department - Pete Galvin - 523-7713
OPM - Frances Bolden - 632-4682
State Department - Torrey Whitman - 647-5158
Central Intelligence Agency ✓

SUBJECT: Department of Health and Human Services comments on
Labor Department views letter on H.R. 2672, "Federal
Retirement Reform Act"

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than February 28, 1986, by telephone.

Questions should be referred to Hilda Schreiber (395-7362), the legislative analyst in this office.

Naomi R. Sweeney
Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

FEB 18 1986

The Honorable James C. Miller, III
Director
Office of Management & Budget
Washington, D.C. 20503

Dear Mr. Miller:

This is in response to your request for a report on Secretary of Labor William E. Brock's comments on proposals now before Congress to establish a supplemental retirement plan for new Federal employees hired after December 31, 1983.

At this time, Congress is considering two proposals for a supplemental retirement plan for new Federal employees: a Senate version, H.R. 2672 (formerly S. 1527), and a House version, H.R. 3660. These two versions are now headed for Conference Committee negotiations.

Secretary Brock's letter of January 14, 1986, deals principally with the relationship between employee claims under the Federal Employees Compensation Act (FECA), administered by the Department of Labor, and disability and retirement benefits to be provided under a new supplemental retirement system. These supplemental benefits, administered by the Office of Personnel Management, will augment primary benefits under Social Security, administered by the Department of Health and Human Services.

Secretary Brock's letter requests that any Administration position expressed during Conference Committee negotiations reflect a view that the relationship between FECA and the disability and retirement benefits of a final supplemental retirement plan be parallel to the relationship under other private and public sector plans.

We have several specific comments concerning Secretary Brock's comments on the proper relationship between FECA and Social Security benefits. These are explained in detail in the enclosure. In general, we defer to the Secretary of Labor on the issues he raised, except for the specific items discussed in the enclosure.

Sincerely,

Secretary

Enclosures

Comments on Department of Labor Letter to OMB
Concerning H.R. 2672

The letter from the Department of Labor (DOL) recommends several changes concerning the treatment of Federal Employees' Compensation Act (FECA) benefits under H.R. 2672--the Senate-passed bill establishing a new Federal civil service retirement system:

- (1) DOL recommends that the bill specifically provide that survivors receiving civil service benefits should elect either FECA benefits or basic civil service benefits. (The bill already requires employees to elect FECA benefits or basic civil service retirement or disability benefits.)

Comment: Defer to DOL. It should be noted, however, that 5 U.S.C. 8116 (attached) already requires such an election for survivors. Presumably, section 8116 would still apply since it has not been repealed by the Senate bill. A clarification would, however, be helpful since the bill specifically addresses treatment of dual entitlement to FECA benefits and civil service disability/retirement benefits, but not survivor benefits.

- (2) DOL recommends that section 306 (DOL incorrectly refers to section 307 rather than 306) be revised so that FECA benefits would not be offset by the amount of Social Security disability benefits attributable to Federal covered employment. They also recommend that a new section be added to the bill providing instead for reducing Social Security disability benefits based on receipt of FECA benefits.

Comment: While we recognize the intent of the bill is to provide consistent treatment of persons receiving FECA benefits and any type of Social Security benefits, we agree that FECA benefits should not be reduced by Social Security disability benefits. Rather, as already provided under section 224 of the Social Security Act, the proper approach would be an offset in the Social Security disability benefit for receipt of FECA benefits. Reducing the Social Security disability benefit (rather than the FECA benefit) would be consistent with the principle that workers' compensation payments are intended to be the primary source of wage replacement in cases of work-related disability and that the financial responsibility for work-related injuries should not be shifted from employers to Social Security taxpayers.

Given that the disability offset provision is already included in section 224 of the Social Security Act, it is not clear why a new section needs to be added to the bill to assure that Social Security disability benefits are offset by FECA benefits.

- (3) DOL recommends that section 306 of the bill be modified so that FECA benefits would be offset by Social Security survivor benefits based on the employee's Federal covered employment-- in the same manner that Social Security retirement benefits would result in a FECA benefit offset under section 306. DOL notes (a) that pursuant to 5 U.S.C. 8116, survivors might have to make an election between their FECA benefits and any Social Security survivor benefits payable based on the employee's Federal employment covered by Social Security and (b) that an offset would be preferable to an election.

Comment: We defer to DOL on whether FECA benefits should be offset for Social Security survivor benefits based on Federal covered employment in the same manner that the bill proposes to offset Social Security retirement benefits. However, it appears to us that the present law provisions in 5 U.S.C. 8116 need to be repealed or modified to accomplish this result since the FECA benefit offset in section 306 does not seem consistent with the election requirement in 5 U.S.C. 8116.

The provision in 5 U.S.C. 8116 presumably would still apply to the FECA benefit provisions as modified by the Senate bill. Under 5 U.S.C. 8116(b) an employee or survivor eligible for FECA benefits and any other Federal benefit based on the employee's injury or death must elect within 1 year after the injury or death to get either the FECA benefit or the other Federal benefit(s). Contacts with DOL staff indicate that while this provision is now being administered to only mean that the person must choose between FECA and Federal civil service benefits, the language in the statute could be interpreted to require an election between FECA benefits and Social Security disability or survivor benefits based on Federal covered employment. (The current interpretation appears to be based on the fact that most Federal civilian employment is not covered by Social Security.)

Since the Senate bill does not amend 5 U.S.C. 8116, and since 5 U.S.C. 8116 and section 306 presumably cannot both apply at the same time to the same case, DOL's letter should acknowledge this and explain their recommendation concerning modification of the provisions in 5 U.S.C. 8116.

- (4) DOL recommends that the offset in section 306 of the bill be triggered by receipt of Social Security benefits rather than potential entitlement to those benefits.

Comment: Do not oppose.

We have no comments on the DOL recommendations concerning ERISA-related aspects of the House and Senate civil service bills.

- (3) his usual employment;
 (4) his age;
 (5) his qualifications for other employment;
 (6) the availability of suitable employment;
 and
 (7) other factors or circumstances which may affect his wage-earning capacity in his disabled condition.

(b) Section 8114(d) of this title is applicable in determining the wage-earning capacity of an employee after the beginning of partial disability.

(Pub. L. 89-554, Sept. 6, 1966, 80 Stat. 842.)

HISTORICAL AND REVISION NOTES

Derivation	U.S. Code	Revised Statutes and Statutes at Large
.....	5 U.S.C. 763	Sept. 7, 1916, ch. 458, § 13, 39 Stat. 748. Oct. 14, 1949, ch. 691, § 204, 63 Stat. 864. Sept. 13, 1960, Pub. L. 86-767, § 204, 74 Stat. 908.

Standard changes are made to conform with the definitions applicable and the style of this title as outlined in the preface to the report.

SECTION REFERRED TO IN D.C. CODE

This section is referred to in sections 31-1803, 31-1823 of the District of Columbia Code.

§ 8116. Limitations on right to receive compensation

(a) While an employee is receiving compensation under this subchapter, or if he has been paid a lump sum in commutation of installment payments until the expiration of the period during which the installment payments would have continued, he may not receive salary, pay, or remuneration of any type from the United States, except—

- (1) in return for service actually performed;
- (2) pension for service in the Army, Navy, or Air Force;
- (3) other benefits administered by the Veterans' Administration unless such benefits are payable for the same injury or the same death; and
- (4) retired pay, retirement pay, retainer pay, or equivalent pay for service in the Armed Forces or other uniformed services, subject to the reduction of such pay in accordance with section 5632(b) of title 5, United States Code.

However, eligibility for or receipt of benefits under subchapter III of chapter 83 of this title, or another retirement system for employees of the Government, does not impair the right of the employee to compensation for scheduled disabilities specified by section 8107(c) of this title.

(b) An individual entitled to benefits under this subchapter because of his injury, or because of the death of an employee, who also is entitled to receive from the United States under a provision of statute other than this subchapter payments or benefits for that injury or death (except proceeds of an insurance policy), because of service by him (or in the case of death, by the deceased) as an employee or in the armed forces, shall elect which benefits he will receive. The individual shall make the election within 1 year after the injury

or death or within a further time allowed for good cause by the Secretary of Labor. The election when made is irrevocable, except as otherwise provided by statute.

(c) The liability of the United States or an instrumentality thereof under this subchapter or any extension thereof with respect to the injury or death of an employee is exclusive and instead of all other liability of the United States or the instrumentality to the employee, his legal representative, spouse, dependents, next of kin, and any other person otherwise entitled to recover damages from the United States or the instrumentality because of the injury or death in a direct judicial proceeding, in a civil action, or in admiralty, or by an administrative or judicial proceeding under a workmen's compensation statute or under a Federal tort liability statute. However, this subsection does not apply to a master or a member of a crew of a vessel.

(Pub. L. 89-554, Sept. 6, 1966, 80 Stat. 842; Pub. L. 90-83, § 1(56), Sept. 11, 1967, 81 Stat. 210; Pub. L. 93-416, § 9(a), Sept. 7, 1974, 88 Stat. 1145.)

HISTORICAL AND REVISION NOTES

1966 Act

Derivation	U.S. Code	Revised Statutes and Statutes at Large
.....	5 U.S.C. 767	Sept. 7, 1916, ch. 458, § 7, 39 Stat. 743. July 1, 1944, ch. 373, § 505(a), 58 Stat. 713. Aug. 13, 1946, ch. 958, § 8, 60 Stat. 1049. Oct. 14, 1949, ch. 691, § 201, 63 Stat. 861. July 30, 1956, ch. 779, § 3(b), 70 Stat. 721. Sept. 13, 1960, Pub. L. 86-767, § 203, 74 Stat. 907. Sept. 4, 1964, Pub. L. 88-581, § 4(b), 78 Stat. 919.

In subsection (a)(2), "Air Force" is added on authority of the Act of July 26, 1947, ch. 343, § 207(a), (f), 61 Stat. 502, and sections 8010-8013 of title 10, United States Code. This does not affect the operation of this subsection insofar as it concerns members of the Coast Guard whose pension is based in whole or in part on service with the Coast Guard when it operated as a part of the Navy.

In subsection (b), the reference to the definition of "employee" in former section 790 is omitted as unnecessary as the definition is included in section 8101 for the entire subchapter.

Administration of this subchapter was transferred to the Secretary of Labor by section 1 of 1930 Reorg. Plan No. 19, 44 Stat. 1271 (see section 8145).

Standard changes are made to conform with the definitions applicable and the style of this title as outlined in the preface to the report.

1967 Act

Section of Title 5	Source (U.S. Code)	Source (Statutes at Large)
8116(a)	5 App. 787(a)	July 4, 1966, Pub. L. 89-488, § 8(a), 80 Stat. 283.

The words "another retirement system for employees of the Government" are substituted for "any other Federal Act or program providing retirement benefits for employees".

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

January 14, 1986

F5-10/85.4
Rec'd LRD
1-21-86

The Honorable James C. Miller III
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Jim:

I am writing to advise you of our views on H.R. 2672, pertaining to disability and retirement benefits for Federal employees hired after January 1, 1984. This bill is now in conference. We would appreciate inclusion of our views in any Administration communication to the conferees.

Both the Senate version of H.R. 2672 and the bill that will be the basis of the House position in conference (H.R. 3660) build a retirement and disability system for new Federal workers, based on a combination of Social Security benefits and supplemental benefits. They also provide for the establishment of a thrift savings plan by which employees may, if they choose, contribute a certain percentage of their income to an investment fund. For such employees the Government would also deposit to the fund a sum based on a percentage of the employees' contribution.

The Labor Department's primary interest in these bills pertains to their treatment of matters arising under the Federal Employees' Compensation Act (FECA) and the Employee Retirement Income Security Act (ERISA). With regard to FECA, we prefer the Senate bill. With regard to ERISA, we favor the policies currently reflected in both the House and Senate bills.

Regarding the FECA-related provisions of this legislation, we believe that an effective Federal disability and retirement system must have equitable provisions for handling situations where a Federal employee would be eligible for both workers' compensation benefits under FECA and retirement or disability benefits under the Federal retirement system or under other law. Under current law, these situations are addressed in a simple, straightforward manner; individuals must elect to receive either FECA benefits or benefits under the Federal disability or retirement system. They cannot receive both.

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The disability and retirement systems contemplated by the Senate and House bills, however, are more complicated and require specificity regarding the manner in which each of their individual elements relate to FECA benefits. The elements of the proposed system are: (1) the basic Federal disability or retirement benefits; (2) the thrift plan; and (3) Social Security benefits. H.R. 3660 does not address the relationship between the elements of the new program and FECA at all. It is, therefore, unacceptable to us. The Senate bill does address these issues and establishes a framework which we believe is essentially equitable and proper. Within this framework, however, the Senate bill leaves some questions open and raises some concerns.

First, while the Senate bill properly continues the current requirement that a person eligible for FECA must elect between receiving FECA benefits and receiving basic Federal disability or retirement benefits, it does not address the election issue with regard to death cases. We assume that in cases of death, the Senate intended an election by survivors between FECA benefits and the basic retirement benefits, but we believe the language of the bill should clearly reflect that intention.

Second, the Senate bill provides that an individual eligible for both Social Security benefits (either retirement or disability) and FECA benefits would receive full Social Security benefits, but would have FECA benefits reduced on a dollar-for-dollar basis for those Social Security benefits which were based on Federal employment. We believe that this is a proper approach for Social Security retirement (OASI) benefits, but is not a proper approach for Social Security disability (SSDI) benefits. Our concern with having FECA benefits reduced when an individual is also receiving SSDI benefits is based on our view of the proper role of a workers' compensation system, which we believe is appropriately reflected in current law and should be retained in the new Federal retirement system.

Current law generally provides that if insurance benefits and workers' compensation benefits total more than 80 percent of pre-disability earnings, SSDI will be reduced. Thus, workers' compensation pays the "first dollar." We favor this approach because, by not reducing FECA benefits, it requires employers to pay for work-related injuries, improves safety incentives, and helps preserve the integrity of the Social Security Trust Fund. The Senate bill, however, would reverse this offset for Federal workers, reducing FECA benefits by the amount of Social Security disability benefits. Thus, the Social Security Trust Fund would in effect subsidize Federal employers whose workers have serious employment-related injuries.

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We would therefore recommend that the offset in favor of workers' compensation established by section 307 of the Senate bill be limited to Social Security retirement benefits, and that a new section be added providing for application of the SSDI offset to FECA benefits in disability cases.

Another matter of concern with section 307 of the Senate bill is that it refers only to benefits payable to an employee or former employee. Accordingly, the proposed offset would not apply to survivors' benefits. Pursuant to 5 U.S.C. 8116, however, survivors might have to make an election between their FECA benefits and any Social Security death benefits. We believe the offset approach taken by the Senate bill with respect to employees is preferable to an election, and therefore recommend that section 307 be extended to include survivors' benefits.

We are also troubled by section 307's offset trigger. The language provides for an offset when Social Security benefits "are payable or, upon proper application, would be payable." This language could be interpreted to mean that an employee or former employee receiving benefits under FECA would at age 62 automatically have those benefits reduced by a presumed amount of Social Security benefits even if the employee has elected to delay receipt of such benefits to age 65. We believe the offset should be limited to Social Security benefits actually received.

On the whole, we believe the Senate bill represents a responsible approach to the proper apportioning of costs between the FECA system and the specific elements of the new retirement system contemplated by the bill.

We will now comment on the ERISA-related aspects of these bills. Both the Senate and the House bills include a thrift savings plan. This plan is similar to a private sector defined contribution plan. It is contemplated that the funds accumulated in the Federal plan will be managed in part by private sector investment fund managers who will be plan fiduciaries. Both bills also include a role for the Department of Labor in enforcing the fiduciary provisions governing the thrift plan's investment management system.

The Department believes that the standards governing fiduciary responsibility under the Federal plan should parallel those applicable to the private sector under the Employee Retirement Income Security Act (ERISA). The Federal Thrift Savings Plan will be the largest and most visible thrift plan in the country.

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Its beneficiaries should be afforded the same protections as participants in private sector thrift plans, and its fiduciaries should be bound by the same standards of conduct as similar private sector plans.

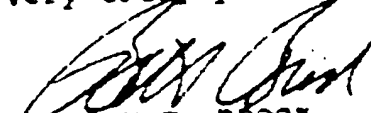
Fiduciary standards similar to those in ERISA are also important for practical reasons. Adopting standards similar to private sector standards will facilitate the Department's regulation and enforcement activities. Standards are well developed and the regulatory structure is in place. ERISA-type standards will also facilitate compliance with the standards for the Federal plan because the private financial community and investment managers are already familiar with the current private sector fiduciary standards.

Finally, the Department favors ERISA-type standards because it feels their value and enforceability have already been well demonstrated. Indeed, great care should be taken in developing standards for the public sector plan because any major conceptual deviation from ERISA's standards could encourage the erosion of the well-established and proven private sector standards.

The House and Senate bills both require the Department to establish programs of compliance audits. Given the size of the thrift plan and the number of participants, the Department believes that such a program of audits is appropriate. However, we feel the administrative burden on the Department should be minimized and that sufficient resources should be provided to carry out these additional responsibilities.

The Department's final concern regarding the thrift plan is that economic considerations--i.e., risk and rate of return--be the basis for making investment decisions. Non-economic investment criteria are appropriate for selecting among investments only if the investment opportunities are of equal economic merit. If a pension plan is allowed to use non-economic criteria as a guide to investment decisions, fiduciary standards become unenforceable. Even more importantly, the use of non-economic criteria for selecting investments will ultimately harm plan participants by lowering investment returns and adversely affecting participants' retirement income security. Both the House and Senate bills currently appear to be drafted to protect plan participants' interest in this important regard.

Very truly yours,



WILLIAM E. BROCK

WEB:gdd

WILLIAM D. FORD, MICHIGAN CHAIRMAN

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JAMES V. HANSEN, UTAH
DAN BURTON, INDIANA

House of Representatives

Committee on Post Office and Civil Service

Washington, DC 20515

TELEPHONE (202) 225-4054

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

Thursday, November 14, 1985

AGENDA

1. H.R. 3660, the "Civil Service Supplemental Retirement System Act of 1985".
2. H.R. 2854, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.
3. H.R. 3331, to designate the United States Post Office Building located at 2120 South Ervay in Dallas, Texas, as the "Juanita Craft Post Office of South Dallas".
4. H.R. 3242, to designate the United States Post Office Building in Moorestown, New Jersey, as the "Edwin B. Forsythe Post Office Building".

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AMENDMENTS TO H.R. 3660
OFFERED BY MS. OAKAR

Page 2, strike out the matter after line 7 and before line 8 and insert in lieu thereof the following:

TABLE OF CONTENTS

- Sec. 1. Short title; table of contents.
- Sec. 2. Purposes.

TITLE I--CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM

- Sec. 101. Establishment.

TITLE II--OTHER AMENDMENTS TO TITLE 5, UNITED STATES CODE

- Sec. 201. Treatment under chapter 83 of certain individuals excluded from chapter 84.
- Sec. 202. Non-applicability of chapter 83 to individuals under chapter 84.
- Sec. 203. Pay for the Executive Director of the Federal Retirement Thrift Investment Board.
- Sec. 204. Miscellaneous amendments.

TITLE III--MISCELLANEOUS PROVISIONS

- Sec. 301. Extension of Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983.
- Sec. 302. Election to modify terms of participation under chapter 83.
- Sec. 303. Applicability to the United States Postal Service.

TITLE IV--AUTHORIZATION OF APPROPRIATIONS; EFFECTIVE DATES

- Sec. 401. Authorization of appropriations for certain expenses of the Federal Retirement Thrift Investment Management System.
- Sec. 402. Effective dates.

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Page 13, line 16, after ``any.`` add the following:

``Credit may not be allowed for a period of separation from the service in excess of 3 calendar days.``.

Page 30, strike out line 19 and all that follows thereafter through page 31, line 16, and insert in lieu thereof the following:

1 ``(2) The applicable amount under this paragraph for an
2 annuitant is an amount equal to the old-age insurance
3 benefits which would be payable to such annuitant under title
4 II of the Social Security Act upon attaining age 62 and
5 filing appropriate application therefor, except that in
6 computing the primary insurance amount under section 215 of
7 such Act for purposes of this paragraph--

8 ``(A) only basic pay for service performed (if any)
9 shall be taken into account in computing the total wages
10 and self-employment income of the annuitant for a benefit
11 computation year;

12 ``(B) for a benefit computation year, any part of
13 which occurs after the date of the separation with
14 respect to which entitlement to the annuitant's annuity
15 under this subchapter is based and before the date on
16 which such annuitant becomes 62 years of age, the total
17 wages and self-employment income of such annuitant for

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1 such year shall be deemed to be an amount equal to the
2 total amount of such individual's basic pay (as described
3 in subparagraph (A)) for the last benefit computation
4 year in which such individual performed a full year of
5 service; and

Page 34, strike out lines 16 and 17 and insert in lieu thereof ``employee or Member.'`.

Page 36, strike out lines 13 through 25 and insert in lieu thereof the following:

6 ``(b)(1) The Office shall determine, in accordance with
7 regulations prescribed by the Office consistent with the
8 provisions of this subchapter (and regulations thereunder)
9 relating to normal-cost percentages, the amount of any
10 contributions required in order to fund benefits payable
11 under this subchapter (and related benefits under subchapters
12 IV and V of this chapter) to the extent that those benefits
13 are attributable to--

14 ``(A) service in the commissioned corps of the Public
15 Health Service after June 30, 1960;

16 ``(B) service after June 30, 1961, in the
17 commissioned corps of the National Oceanic and
18 Atmospheric Administration or a predecessor agency in

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1 function; or

2 `` (C) military service under section 8411(b)(2) of
3 this title other than as described in subparagraph (A) or
4 (B).

5 `` (2) Upon notification by the Office--

6 `` (A) the Secretary of Health and Human Services
7 shall contribute to the Fund the amount determined under
8 paragraph (1)(A) for the period with respect to which the
9 notification relates;

10 `` (B) the Secretary of Commerce shall contribute to
11 the Fund the amount determined under paragraph (1)(B) for
12 the period with respect to which the notification
13 relates; and

14 `` (C) the Secretary of Defense shall contribute to
15 the Fund the amount determined under paragraph (1)(C) for
16 the period with respect to which the notification
17 relates.

18 Contributions under this paragraph shall be made from any
19 appropriation available to the Secretary concerned for the
20 payment of pay of members of the commissioned corps of the
21 Public Health Service, the commissioned corps of the National
22 Oceanic and Atmospheric Administration, or one of the other
23 uniformed services, as the case may be.

Page 37, line 15, strike out `` (2)(A) `` and insert in

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lieu thereof `` (1)(B) ''.

Page 51, after line 8, insert the following:

1 `` (3) Loans under this subsection shall be subject to
2 such conditions as the Board may, by regulation, prescribe
3 consistent with section 408(b)(1) of the Employee Retirement
4 Income Security Act of 1974.

Page 52, line 7, after ``by'' insert ``amounts paid for a
purpose under subsection (c)(2) or (3) and''.

Page 63, strike out lines 13 through 25 and insert in
lieu thereof the following:

5 `` (2) In the case of a widow or widower whose annuity
6 under this section is terminated because of remarriage before
7 becoming 55 years of age, the annuity shall be restored at
8 the same rate commencing on the day the remarriage is
9 dissolved by death, divorce, or annulment, if the widow or
10 widower elects to receive this annuity instead of any other
11 survivor benefit to which such widow or widower may be
12 entitled under this subchapter or section 8424 of this title
13 or under another retirement system for Government employees
14 by reason of the remarriage. Notwithstanding the preceding

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1 sentence, an appropriate actuarial reduction shall be made
2 (in accordance with regulations prescribed by the Office) if
3 any lump-sum credit paid on termination of the annuity is not
4 returned to the Fund.

Page 65, line 6, insert ``for such month`` after
``annuity``.

Page 67, strike out lines 3 through 9 and insert in lieu
thereof the following:

5 `` (4) For the purpose of this subsection, the term
6 `assumed CSRS annuity`, as used in the case of a survivor
7 with respect to any month, means the amount of the annuity
8 which would be payable to such survivor for such month under
9 subchapter III of chapter 83 of this title, determined as if
10 the service of the deceased employee or Member were
11 creditable under such subchapter.

Page 67, strike out line 11 and all that follows
thereafter through page 68, line 7, and insert in lieu
thereof the following:

12 `` (a)(1) If an employee or Member dies after completing
13 at least 18 months of civilian service which is creditable

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1 under section 8411 of this title, or an annuitant dies, each
2 surviving child is, for any month, entitled to an annuity
3 equal to--

4 ``(A) the amount by which the applicable amount under
5 paragraph (2) for such month exceeds the applicable
6 amount under paragraph (3) for such month, divided by

7 ``(B) the number of children entitled to a payment
8 under this section for such month.

9 ``(2) The applicable amount under this paragraph for any
10 month is the total amount to which the surviving child or
11 children (as the case may be) of the annuitant, employee, or
12 Member would be entitled for such month under subchapter III
13 of chapter 83 of this title based on the service of such
14 annuitant, employee, or Member, if the service of such
15 annuitant, employee, or Member were creditable under such
16 subchapter.

17 ``(3) The applicable amount under this paragraph for any
18 month is the total amount of child's insurance benefits which
19 would be payable under title II of the Social Security Act
20 for such month (determined after the application of section
21 203(a) of such Act) based on the wages and self-employment
22 income of such annuitant, employee, or Member.

Page 68, strike out lines 19 and 20 and insert in lieu
thereof the following:

OAKAR164

8

1 currence of such disability).

2 This

Page 69, line 9, after ``first.'' insert the following:
``The annuity of a child under this subchapter shall be
subject to an appropriate actuarial reduction (under
regulations prescribed by the Office) if any lump-sum credit
paid is not returned to the Fund.''.

Page 75, line 13, insert ``70 percent of'' before
``the''.

Page 84, after line 2, insert the following:

3 `` (h)(1) Each Government agency shall furnish the

4 Director with such information as the Director determines

5 necessary in order to administer this chapter.

6 `` (2) The Director, in consultation with the officials

7 from whom such information is requested, shall establish (by

8 regulation or otherwise) such safeguards as are necessary to

9 ensure that information made available under this subsection

10 is used only for the purpose authorized.

Page 106, strike out lines 19 through 22 and insert in

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9

lieu thereof the following:

1 ``(H) an official (including a director) of, or
2 an individual employed by, a person described in
3 subparagraph (A), (B), (D), (E), or (G) of this
4 paragraph, or an individual having powers or
5 responsibilities similar to those of such an
6 official;

Page 106, line 23, insert ``at least`` before ``10
percent``.

Page 110, after line 4, insert the following:

7 ``(3)(A) The Secretary of Labor may, in accordance with
8 procedures which the Secretary shall by regulation prescribe,
9 grant a conditional or unconditional exemption of any
10 fiduciary or transaction, or class of fiduciaries or
11 transactions, from all or part of the restrictions imposed by
12 paragraph (2) of this subsection.

13 ``(B) An exemption granted under this paragraph shall not
14 relieve a fiduciary from any other applicable provision of
15 this chapter.

16 ``(C) The Secretary of Labor may not grant an exemption
17 under this paragraph unless he finds that such exemption is--

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10

1 ``(i) administratively feasible,
2 ``(ii) in the interests of the Thrift Savings Fund
3 and of its participants and beneficiaries, and
4 ``(iii) protective of the rights of participants and
5 beneficiaries of such Fund.
6 ``(D) An exemption under this paragraph may not be
7 granted unless--
8 ``(i) notice of the proposed exemption is published
9 in the Federal Register;
10 ``(ii) interested persons are given an opportunity to
11 present views; and
12 ``(iii) the Secretary of Labor affords an opportunity
13 for a hearing and makes a determination on the record
14 with respect to the respective requirements of clauses
15 (i), (ii), and (iii) of subparagraph (C) of this
16 paragraph.

Page 115, strike out lines 14 through 19 and insert in
lieu thereof the following:

17 ``(g)(1) The Secretary of Labor shall establish a program
18 to carry out audits to determine the level of compliance with
19 the requirements of this section relating to fiduciary
20 responsibilities and prohibited activities of fiduciaries.
21 ``(2) An audit under this subsection may be conducted by

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11

1 the Secretary of Labor, by contract with a qualified non-
2 governmental organization, or in cooperation with the
3 Comptroller General of the United States, as the Secretary
4 considers appropriate.

Page 115, line 22, after ``fiduciary`` insert ``(other than a member of the Employee Thrift Advisory Council)``.

Page 120, strike out lines 7 through 9 and insert in lieu thereof the following:

5 **TITLE II--OTHER AMENDMENTS TO TITLE 5, UNITED STATES CODE**

Page 123, strike out line 17 and all that follows thereafter through page 124, line 19, and insert in lieu thereof the following:

6 `` (a)(1) Notwithstanding any other provision of this
7 subchapter, the annuity payable to an individual described in
8 section 8402(b) of this title for any month (beginning with
9 the month in which such individual attains the minimum age
10 for old-age insurance benefits under title II of the Social
11 Security Act) shall be equal to the amount by which--
12 `` (A) the annuity which would otherwise be payable to
13 such individual under this subchapter for such month,

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12

1 exceeds

2 `` (B) the amount determined under paragraph (2) of
3 this subsection with respect to such individual (not to
4 exceed the amount of any old-age insurance benefits which
5 are payable, or would on proper application be payable,
6 to such individual for such month under title II of the
7 Social Security Act).

8 `` (2) The applicable amount under this paragraph for any
9 individual is an amount computed using the method set forth
10 in section 8421(b) of this title, except that the numerator
11 of the fraction under paragraph (3) of such section 8421(b)
12 shall be based on years of service within the meaning of
13 subsection (c) of this section.

14 `` (b)(1) Notwithstanding any other provision of this
15 subchapter, a disability annuity or survivor annuity payable
16 under this subchapter to a person for any month based on the
17 service of an individual described in section 8402(b) of this
18 title shall be reduced by an amount equal to a portion of any
19 similar benefits which are payable (or would, on proper
20 application, be payable) to such person under title II of the
21 Social Security Act for such month to the extent that such
22 benefits are (or would be) based on the wages and self-
23 employment income of such individual and (as determined under
24 paragraph (2)) attributable to service (within the meaning of
25 subsection (c)) performed by such individual.

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13

1 ``(2) The Office shall prescribe regulations, consistent
2 with subsection (a) of this section, to carry out this
3 subsection.

Page 126, line 13, strike out ``title;'' and all that follows thereafter through line 15 and insert in lieu thereof ``title.''.

Page 127, strike out lines 6 through 9 and insert in lieu thereof the following:

4 **SEC. 204. MISCELLANEOUS AMENDMENTS.**

5 (a) AMENDMENT TO SECTION 2105.--Section 2105(c)(2) of
6 title 5, United States Code, is amended by striking out
7 ``chapter 81'' and inserting in lieu thereof ``chapter 81,
8 chapter 84,''.

9 (b) AMENDMENT TO SECTION 6301.--Section 6301(2)(B) of
10 title 5, United States Code, is amended to read as follows:

11 ``(B) an individual first employed by the
12 government of the District of Columbia before October
13 1, 1987;''.

14 (c) AMENDMENT TO SECTION 6303.--The second sentence of
15 section 6303(a) of title 5, United States Code, is amended by
16 striking out ``title.''' and inserting in lieu thereof ``title
17 and all service creditable under section 8411 of this title

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14

1 for the purpose of chapter 84 of this title.''.

2 (d) AMENDMENTS TO SECTION 8331.--Section 8331(1) of title
3 5, United States Code, is amended--

4 (1) by amending subparagraph (G) to read as follows:

5 `` (G) an individual first employed by the
6 government of the District of Columbia before October
7 1, 1987;''; and

8 (2) by striking out ``or'' at the end of clause
9 (viii), by striking out the period at the end of clause
10 (ix) and inserting in lieu thereof ``; or'', and by
11 adding after clause (ix) the following:

12 `` (x) an employee under the Botanic Garden
13 excluded by the Director or Acting Director of the
14 Botanic Garden under section 8347(1) of this
15 title.''.

16 (e) AMENDMENT TO SECTION 8332.--The second sentence of
17 section 8332(k)(1) of title 5, United States Code, is amended
18 by striking out ``second'' and inserting in lieu thereof
19 ``third''.

20 (f) AMENDMENTS TO SECTION 8348.--Section 8348(a) of title
21 5, United States Code, is amended--

22 (1) in paragraph (1)(A), by striking out
23 ``subchapter;'' and inserting in lieu thereof
24 ``subchapter or by the provisions of chapter 84 of this
25 title which relate to benefits payable out of the

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15

1 Fund;'';

2 (2) in paragraph (1)(B)--

3 (A) by inserting ``or 8462'' after ``8340''; and

4 (B) by striking out ``title, and'' and inserting
5 in lieu thereof ``title or subchapters II and IV of
6 chapter 84 of this title, and''; and

7 (3) in paragraph (2), by striking out ``chapter'' and
8 inserting in lieu thereof ``chapter, chapter 84 of this
9 title,``.

10 (g) AMENDMENT TO SECTION 8701.--Section 8701(a)(6) of
11 title 5, United States Code, is amended to read as follows:

12 `` (6) an individual first employed by the government
13 of the District of Columbia before October 1, 1987;``.

14 (h) AMENDMENTS TO SECTION 8901.--Section 8901 of title 5,
15 United States Code, is amended--

16 (1) by amending paragraph (1)(E) to read as follows:

17 `` (E) an individual first employed by the
18 government of the District of Columbia before October
19 1, 1987;``;

20 (2) by amending paragraph (3)(A) to read as follows:

21 `` (A) an employee who retires--

22 `` (i) on an immediate annuity under
23 subchapter III of chapter 83 of this title, or
24 another retirement system for employees of the
25 Government, after 5 or more years of service;

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16

1 ``(ii) under section 8412 or 8414 of this
2 title; or
3 ``(iii) for disability under subchapter III
4 of chapter 83 of this title, chapter 84 of this
5 title, or another retirement system for employees
6 of the Government;'';

7 (3) in paragraph (4), by inserting ``or chapter 84''
8 after ``83'';

9 (4) in paragraph (10)(C)(i), by inserting ``or 8467''
10 after ``8345(j)'' , by inserting ``or 8445'' after
11 ``8341(h)'' , and by striking out ``System),'' and
12 inserting in lieu thereof ``System or the Civil Service
13 Supplemental Retirement System),''; and

14 (5) in paragraph (10)(C)(ii)--

15 (A) by striking out ``or 8345(j)'' and inserting
16 in lieu thereof ``8345(j), 8445, or 8467'' and by
17 striking out ``System)'' and inserting in lieu
18 thereof ``System or the Civil Service Supplemental
19 Retirement System)''; and

20 (B) by inserting ``or 8417(b)'' after
21 ``8339(j)(3)''.

22 (i) AMENDMENTS TO SECTION 8905.--Section 8905(c)(1) of
23 title 5, United States Code, is amended--

24 (1) in subparagraph (B), by inserting ``or 8417(b)''
25 after ``8339(j)(3)''; and

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17

1 (2) in the second sentence, by striking out ``or
2 8345(j)`` and inserting in lieu thereof ``8345(j), 8445,
3 or 8467``.

Page 129, after line 8, insert the following:

4 **SEC. 303. APPLICABILITY TO THE UNITED STATES POSTAL SERVICE.**

5 Section 1005(d) of title 39, United States Code, is
6 amended to read as follows:

7 ``(d) Officers and employees of the Postal Service (other
8 than the Governors) shall be covered by chapters 83 and 84 of
9 title 5. The Postal Service shall withhold from pay and shall
10 pay into the Civil Service Retirement and Disability Fund the
11 amounts specified in or determined under such chapter 83 and
12 subchapter II of such chapter 84, respectively. The Postal
13 Service shall pay into the Federal Retirement Thrift Savings
14 Fund the amounts specified in or determined under subchapters
15 III and VII of such chapter 84.``.

Page 129, strike out lines 9 and 10 and insert in lieu
thereof the following:

16 **TITLE IV--AUTHORIZATION OF APPROPRIATIONS; EFFECTIVE DATES**

17 **SEC. 401. AUTHORIZATION OF APPROPRIATIONS FOR CERTAIN**

18 **EXPENSES OF THE FEDERAL RETIREMENT THRIFT**

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18

INVESTMENT MANAGEMENT SYSTEM.

(a) TEMPORARY ALTERNATIVE FUNDING.--Notwithstanding section 8434(c)(3) of title 5, United States Code (as added by section 101 of this Act), the expenses incurred in the administration of the Federal Retirement Thrift Investment Management System under subchapter VII of chapter 84 of such title (as so added) during fiscal years 1986 and 1987 shall be paid from sums appropriated pursuant to subsection (b).

(b) AUTHORIZATION OF APPROPRIATIONS.--There are authorized to be appropriated to the Federal Retirement Thrift Investment Board, for fiscal years 1986 and 1987, such sums as may be necessary to pay the expenses incurred in the administration of the Federal Retirement Thrift Investment Management System during such fiscal years.

SEC. 402. EFFECTIVE DATES.

Page 129, after line 22, add the following:

(c) FIRST COST-OF-LIVING ADJUSTMENT.--(1) For purposes of the first adjustment under section 8462(b) of title 5, United States Code (as added by section 101 of this Act), the base quarter ending on September 30, 1986, shall be considered to have been a base quarter in which an adjustment under such section was made.

(2) As used in paragraph (1), the term "base quarter"

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19

- 1 has the meaning provided by section 8462(a)(1) of title 5,
- 2 United States Code (as added by section 101 of this Act).

TABLE 2. Comparison of Entry Age Normal Cost
Estimates of Current CSRS to CSSRS a/

	Current CSRS (baseline)			CSSRS		
	Employer share	Employee share (average)	Total	Employer share	Employee share (average)	Total
Defined benefit plan.....	25.0%	7.0%	32.0%	18.1%	0.9%	19.0%
Social security <u>b/</u> ...	---	---	---	5.9	5.9	11.8
CAP (voluntary) <u>c/</u> ...	---	---	---	1.4	2.8	4.2
Full cost <u>d/</u>	25.0%	7.0%	32.0%	25.4%	9.6%	35.0%

a/ All cost figures are rounded to the nearest tenth of a percent. Administrative costs and benefits to special groups are excluded. Under the current CSRS these costs are estimated to be 0.1 and 0.3 percent of pay, respectively.

b/ Social security cost is the percentage of total Federal payroll taxable for social security (OASDI).

c/ For employees, cost of the CAP is shown as the average cost. Average cost is determined by dividing the projected sum of all contributions (up to the specified matching limit of six percent for each employee) by payroll. The cost to the government is the employee cost times the matching rate.

d/ Average full cost includes projected average employee contribution and employer match to the CAP.

TABLE 3. Entry Age Normal Cost of CSSRS by Benefit Normal Cost a/
(% of total Federal pay)

Defined Benefit Component:

Annuities to employees:	
Optional retirement.....	13.3%
Involuntary retirement.....	1.2
Disability retirement.....	1.4
Deferred retirement.....	<u>0.6</u>
Subtotal: Retirement.....	16.6%
Annuities to survivors of:	
Age retirees.....	1.5%
Disability retirees.....	0.2
Active employees.....	0.6
To children.....	<u>--</u>
Subtotal: Survivors.....	2.3%
Refunds.....	0.1
Total: Defined benefits.....	<u>19.0%</u>
Total: Average capital accumulation.....	4.2 <u>b/</u>
Total: Social security.....	<u>11.8</u> <u>c/</u>
Total: All benefits.....	<u>35.0%</u>
Less employee contributions:	
Defined benefit.....	0.9%
Capital accumulation.....	2.8 <u>b/</u>
Social security.....	<u>5.9</u> <u>d/</u>
Total: Employer cost.....	25.4%

a/ Detail may not sum to totals due to rounding. Administrative costs and benefits to special groups are excluded.

b/ Based upon net employer contributions matching average contributed by all workers (including nonparticipants).

c/ Approximately 0.4 percent of payroll of the social security cost is not distributed to Federal workers but flows to relatively lower-income social security participants outside the Federal Government.

d/ Social security tax as a percent of total payroll.

I

99TH CONGRESS
1ST SESSION

H. R. 2854

To amend title 39, United States Code, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 1985

Mr. DYMALLY introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To amend title 39, United States Code, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That (a) section 1005(a) of title 39, United States Code, is
4 amended—

5 (1) by redesignating paragraph (3) as paragraph

6 (4); and

7 (2) by inserting after paragraph (2) the following:

EL400

AMENDMENTS TO H.R. 2854

OFFERED BY Mr. Dymally

Page 2, line 3, strike out ``subchapter,`` and all that follows thereafter through line 5, and insert in lieu thereof ``subchapter; and``.

Page 2, line 12, strike out ``2 years`` and insert in lieu thereof ``1 year``.

SUMMARY OF H.R. 2854

PURPOSE: To amend title 39, United States Code, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.

SOURCE: Introduced by Mr. Dymally on June 25, 1985.
Referred to the Committee on Post Office and Civil Service.

BACKGROUND: In 1970, with the enactment of the Postal Reorganization Act (Public Law 91-375), the United States Postal Service was given the authority to establish procedures to assure its officers and employees full protection of their employment rights by guaranteeing them an opportunity for a fair hearing on adverse actions with representatives of their own choosing.

Current law, however, allows postal employees who are not covered under collective-bargaining agreements to appeal removals, suspensions for more than 14 days, reductions in grade or pay, or furloughs for 30 days or less to officials within the agency only, unless they are veterans preference eligibles. Veterans, like their counterparts in the competitive service, may appeal an adverse action to the Merit Systems Protection Board (MSPB), an independent government agency established by Congress in the Civil Service Reform Act of 1978.

EXPLANATION: H.R. 2854 amends section 1005(a) of title 39, United States Code, governing applicability of title 5 provisions (supchapter II of chapter 75) to postal employees.

Section 1 of this legislation extends adverse action appeal rights to Postal Service employees who are supervisors, managers or employees engaged in personnel work in other than a purely nonconfidential clerical capacity, and who have completed one year of continuous service in the same or similar positions. The effective date of Section 1 is 30 days following the date of enactment of the bill.

Section 2 applies to any action which commenced before the effective date of the bill. Under this section, any such action shall not abate by reason of enactment of H.R. 2854.

99TH CONGRESS
1ST SESSION

H. R. 2854

To amend title 39, United States Code, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.

IN THE HOUSE OF REPRESENTATIVES

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To amend title 39, United States Code, to extend to certain officers and employees of the Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded to Federal employees under title 5, United States Code.

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2 *tives of the United States of America in Congress assembled,*

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4 amended—

5 (1) by redesignating paragraph (3) as paragraph
6 (4); and

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Current law, however, allows postal employees who are not covered under collective-bargaining agreements to appeal removals, suspensions for more than 14 days, reductions in grade or pay, or furloughs for 30 days or less to officials within the agency only, unless they are veterans preference eligibles. Veterans, like their counterparts in the competitive service, may appeal an adverse action to the Merit Systems Protection Board (MSPB), an independent government agency established by Congress in the Civil Service Reform Act of 1978.

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Section 1 of this legislation extends adverse action appeal rights to Postal Service employees who are supervisors, managers or employees engaged in personnel work in other than a purely nonconfidential clerical capacity, and who have completed one year of continuous service in the same or similar positions. The effective date of Section 1 is 30 days following the date of enactment of the bill.

Section 2 applies to any action which commenced before the effective date of the bill. Under this section, any such action shall not abate by reason of enactment of H.R. 2854.

99TH CONGRESS
1ST SESSION

H. R. 3331

To designate the United States Post Office Building located at 2120 South Ervay in Dallas, Texas, as the "Juanita Craft Post Office of South Dallas".

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 13, 1985

Mr. BRYANT introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To designate the United States Post Office Building located at 2120 South Ervay in Dallas, Texas, as the "Juanita Craft Post Office of South Dallas".

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the United States Post Office Building located at 2120
4 South Ervay, Dallas, Texas, shall be designated and hereaf-
5 ter known as the "Juanita Craft Post Office of South
6 Dallas". Any reference in any law, map, regulation, docu-
7 ment, record, or other paper of the United States to that
8 building shall be deemed to be a reference to the "Juanita
9 Craft Post Office of South Dallas".

○

**PLAN DESIGN SPECIFICATIONS
FOR THE
CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM (CSSRS)**

I. DEFINED BENEFIT RETIREMENT

A. BASIC PLAN DESIGN

Roth/Stevens
Same

Defined benefit, not explicitly integrated with social security (add-on plan).

B. REQUIRED EMPLOYEE CONTRIBUTION

7% minus Social Security

Through 1987: 1.3% of pay.
From 1988-1989: 0.94% of pay.
1990 and after: 0.8% of pay.

C. VESTING

5 yrs

5 years.

*** D. SALARY BASE**

High-5

Average High-3 salary.

E. RETIREMENT BENEFIT FORMULA

*.9%
1.1% over 15*

1.0% x years of service.

*** F. UNREDUCED RETIREMENT BENEFITS**

*opt A
Age 62 w 5 yrs* | *opt B
Age 55 w 30 yrs*

Age 55 with 30 years of service;
Age 60 with 20 years of service;
Age 62 with 5 years of service.

No Supplement

Supplement paid prior to age 62 equal to social security benefit.

G. INVOLUNTARY EARLY RETIREMENT BENEFITS

*Age 50/20 yrs
25 yrs Any Age
Reduced 2% under Age 62*

Accrued benefit, unreduced, payable at:
Age 50 with 20 years of service.
Any age with 25 years of service.

Supplement paid prior to age 62 equal to social security benefit.

H. DEFERRED RETIREMENT

*Age 62 with 5 yrs
or Age 55 with 10 or 30 years
(Annuity Reduced 5% or 2%
under Age 62)*

Full accrued benefit payable at age 62 with at least 5 years of service.

*** Major Differences**

I. REFUNDS*Basically the same*

Employees may withdraw contributions plus interest. Any withdrawn contributions will be deducted from the vested benefit value.

*** J. COST-OF-LIVING ADJUSTMENT**

opt A
 None to age 62
 CPI-2 62-66
 FULL CPI 67-69

opt B
 CPI-2 55-62
 FULL CPI 63-62

Annual adjustment equal to the increase in the Consumer Price Index. *FULL*

*** K. DISABILITY BENEFITS**

Provided under separate Long Term Disability with 3rd party Administrator:

- 60% of high 5 offset by Soc. Security or if not eligible for Social Security

- Reduce 60% to 40% of high 5 payable to age 55 when regular benefits available

For employees eligible for social security benefits, a basic benefit no less than the lesser of:

- (a) 20% of high-three salary, or
- (b) the retirement benefit projected to age 60.

Employees not eligible for social security benefits receive the above formula plus a supplemental benefit until old-age social security benefits become payable at age 62. The supplement is equal to the lesser of:

- (a) the basic disability benefit, or
- (b) 70% of the social security benefit.

*** L. HAZARDOUS DUTY EMPLOYEES**

Any age 25 years Same as also

Same also
Any age 25 years Same

Same

1.9% plus a supplement

Federal Law Enforcement officers may retire after age 50 with 20 years of service.

Firefighters may retire after age 50 with 20 years of service.

Air Traffic Controllers may retire after 25 years of service or after age 50 with 20 years of service.

The annual retirement credit is 1.7% times years of service up to 20 years plus 1.5% for years in excess of 20 years.

**HAZARDOUS DUTY EMPLOYEES
(contd)**

*Same
No Anticipation
required*

Supplement payable from
retirement to age 62.

Employee pays an additional .5%
of pay for benefit.

**M. POST-RETIREMENT SPOUSE
SURVIVOR BENEFITS**

Automatic unless jointly waived.

Those electing option have
annuity reduced by 2.5% of the
initial \$3,600 in annual benefits
and by 10% of the remainder.

Payment to surviving spouse is
half of the unreduced annuity.

**N. PRE-RETIREMENT SPOUSE
SURVIVOR BENEFITS**

Any age with 18 months of
service.

The same benefit that would be
payable to a surviving spouse of
a retired employee.

**O. MINIMUM SURVIVOR
BENEFITS (Pre- and
Post-Retirement)**

The minimum surviving spouse's
benefit is no less than the
lesser of:

(a) the benefit payable under
CSRS or

(b) the projected combined
CSSRS and social security
benefit that would be
payable to the widow(er)
at age 60.

less
social security

P. CHILDREN

Annual benefit of \$2,800
increased by future CPI growth,
and fully offset for the
children's portion of any social
security benefit. Benefits paid
until age 18 for a child not in
school and until age 22 for a
child in school. Benefits are
continued after age 22 for a
disabled child.

Q. SERVICE CREDITED

Same as in CSRS except that credit is not allowed for unused sick leave.

II. VOLUNTARY CAPITAL ACCUMULATION PLAN

A. ALLOWABLE EMPLOYEE CONTRIBUTIONS

Up to 10% of pay to thrift plan.

B. GOVERNMENT MATCHING CONTRIBUTIONS

For each \$1 contributed by employee up to 6% of pay, Government contributes \$0.50.

opt A
full match up to 5%
opt B
full 10%
1/2 2-39%
1/4 4-69%

> tot 2.75% max

C. VESTING

Full and immediate vesting of government matching contributions.

D. INVESTMENT OPTIONS

Employees may choose to invest their contributions in any of six investment vehicles provided in the Capital Accumulation Plan.

Government contributions are invested in Treasury securities for the first five years of the Capital Accumulation Plan. After this period, Government contributions may be invested in any of the investment vehicles as elected by the employee.

E. CURRENT EMPLOYEES

Current employees may not elect into CSRS. They may participate in the Capital Accumulation Plan, but do not receive Government matching contributions.

III. SOCIAL SECURITY

**A. OLD AGE, SURVIVORS, AND
DISABILITY INSURANCE**

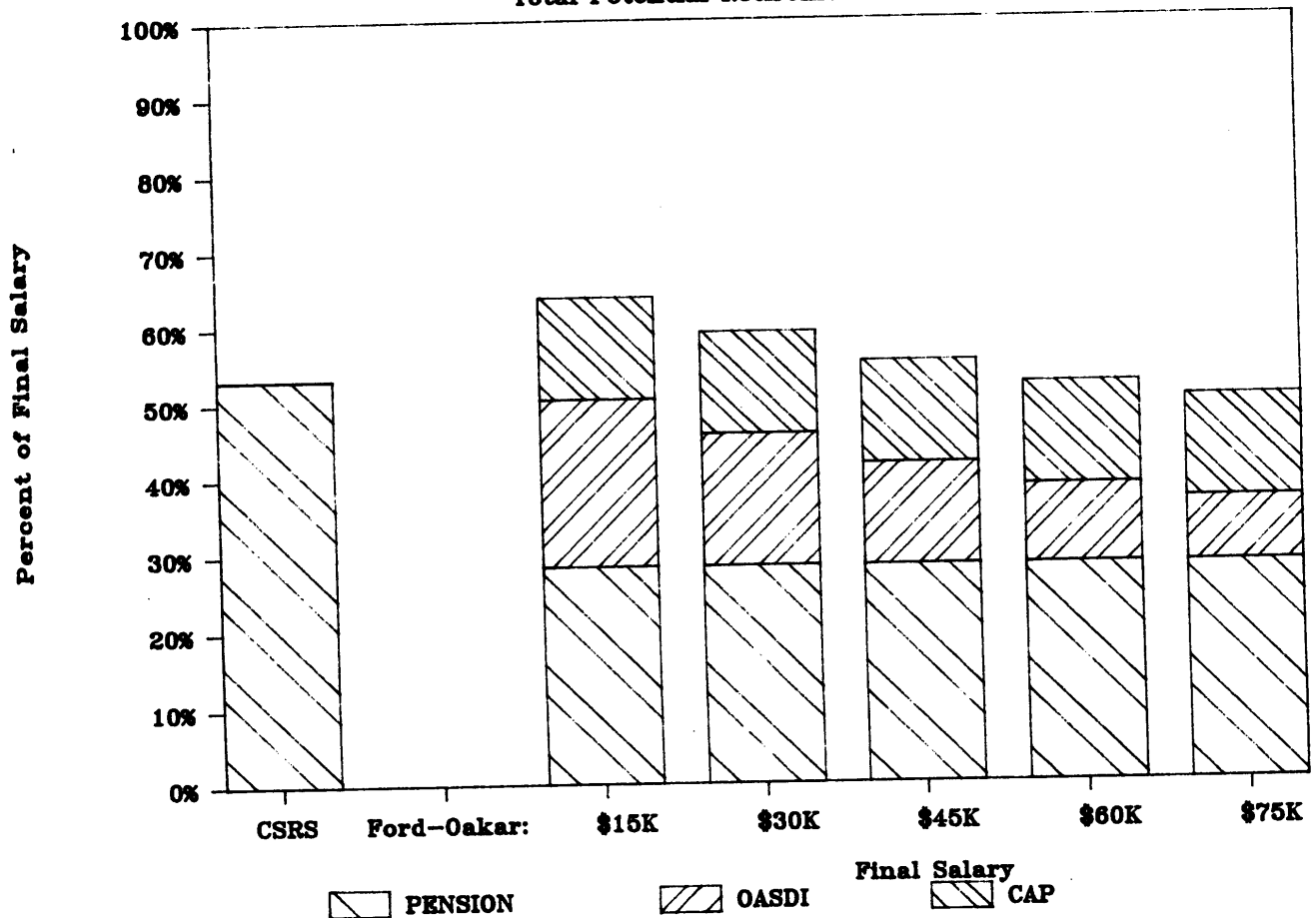
All affected employees covered.

B. EMPLOYEE CONTRIBUTION

**Employee contribution of 5.7% of
pay (6.06% in 1988; 6.2% in
1990) for OASDI coverage, up to
maximum taxable wage base
(\$39,600 in 1985.)**

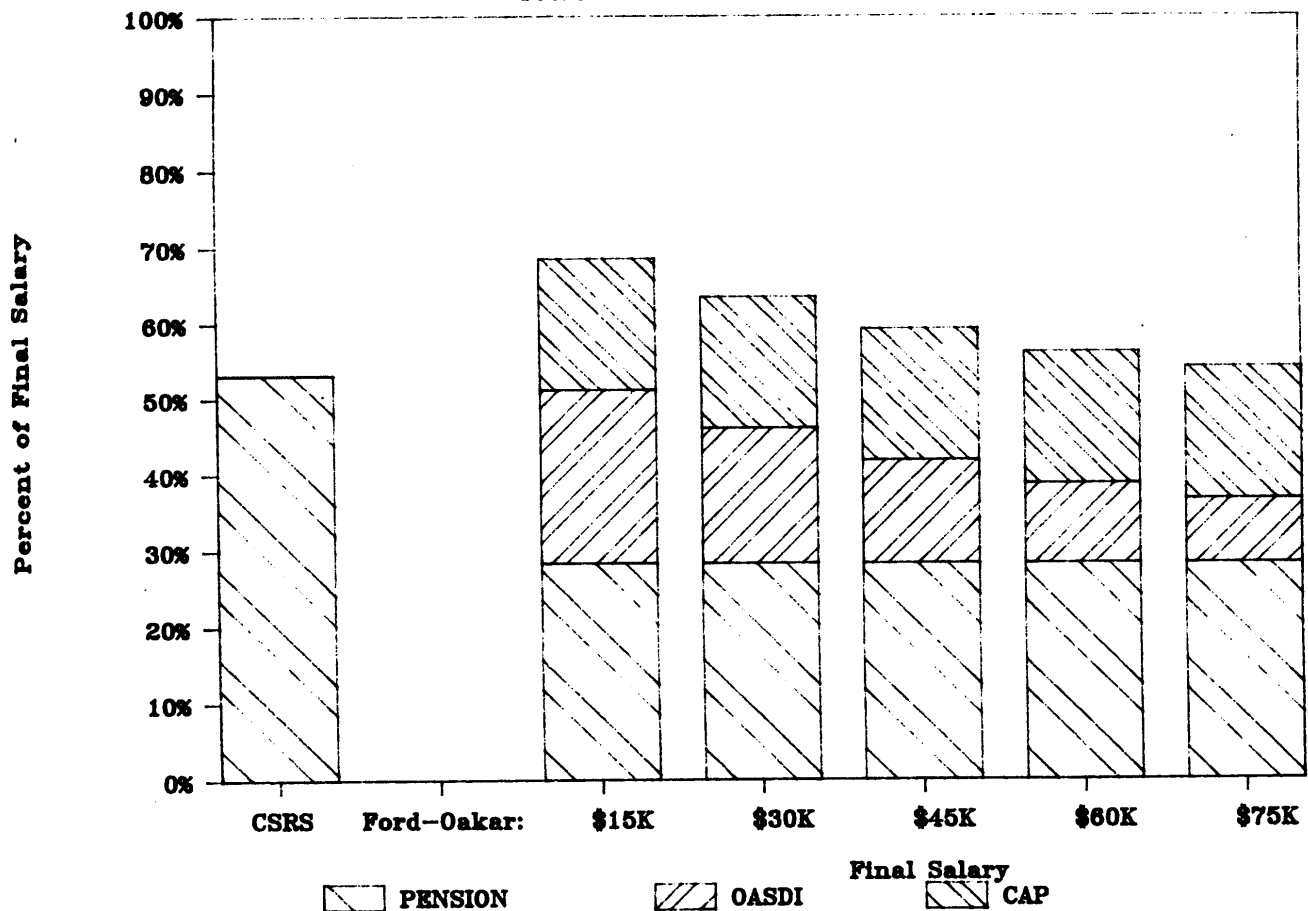
Age 55 with 30 Years of Service

Total Potential Retirement Benefits



Age 62 with 30 Years of Service

Total Potential Retirement Benefits



November 14, 1985

SUMMARY

Civil Service Supplemental Retirement System Act of 1985

(H.R. 3660)

I. Coverage

In General. The Civil Service Supplemental Retirement System (CSSRS) will cover those employees and Members appointed or elected after December 31, 1983, whose service is covered by social security. Former employees or Members who have separated or will separate with less than five years of creditable service under the CSRS also will be subject to the new supplemental retirement system.

Exclusions. The new system will not apply to certain political appointees, Members of Congress, or Federal judges who have served continuously since December 31, 1983, or to former employees or Members who have separated, or will separate, from Federal service after completing at least five years of creditable service under the current Civil Service Retirement System (CSRS). These employees and Members will retain coverage under the CSRS, but their CSRS annuities will be offset by benefits to which they may be entitled under social security.

II. Retirement Benefits Under Defined Benefit Plan

For the average employee retiring after a full career with the Government, the combined benefits provided by the CSSRS and social security are similar to the benefits of the Civil Service Retirement System (CSRS). However, because of the distribution of social security benefits, lower paid employees receive somewhat more and the higher paid employees somewhat less than under the CSRS.

Benefit Computation. The Civil Service Supplemental Retirement System (CSSRS) generally provides retirement benefits of one percent of high-three average salary for each year of service.

Eligibility. The benefits are payable in full at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Deferred retirement benefits are provided at age 62 after completion of 5 years of service.

Special Categories. Retirement at earlier ages is provided for law enforcement officers, firefighters, air

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traffic controllers, Members of Congress (under certain conditions), and employees who are separated involuntarily. The annuities of these employees (except employees separated involuntarily) and Members are $1\frac{7}{10}$ percent of average pay for each year of service not exceeding 20 years plus $1\frac{1}{2}$ percent of average pay for each year of service in excess of 20 years. The additional cost of these benefits is paid by the employees, Members, and their agencies.

Annuity Supplement. To provide a steady level of retirement income for those eligible to retire before age 62, an annuity supplement equal to the Federally earned social security benefit is paid up to that age. Generally, the supplement is paid from the date of retirement, but in certain cases (such as involuntary retirement) payment of the supplement does not commence until the individual attains age 55.

III. Employee and Government Contributions

Employee Contributions. Most employees under the CSSRS will be required to contribute to the retirement fund an amount equal to 7 percent of pay less the percentage (then in effect) required to be contributed to social security (currently 5.7 percent). Law enforcement officers, firefighters, air traffic controllers, Congressional employees, and Members will contribute $7\frac{1}{2}$ percent of pay less the social security contribution. Employees will be fully vested in their contributions and entitled to withdraw the contributions, plus interest, at the time of leaving Federal service. After five years of service, employees will be vested in a deferred benefit, payable at age 62, reduced by the value of any withdrawn contributions.

Agency Contributions. Each employing agency will be required to contribute to the retirement fund an amount equal to the product of the normal cost percentage (entry-age normal cost of the system) multiplied by the aggregate amount of basic pay for the period involved.

Contributions for Military Service Credit. The Secretary of Defense will be required to contribute each year to the retirement fund whatever amount is necessary to fund any retirement benefits that are attributable to credit for military service. Employees under the CSSRS will not be required to make deposits for creditable military service.

IV. Disability Benefits

Eligibility. An employee who completes at least 5 years of creditable civilian service and is found by the Office of Personnel Management (OPM) to be unable to perform the duties

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of such employee's position will be eligible for disability retirement.

Benefit Computation. The disability annuity will be equal to the employee's accrued retirement benefit but will be no less than the smaller of (1) 20 percent of the employee's average pay, or (2) an annuity computed under the regular annuity formula after projecting the employee's service to age 60. Disabled employees who are unable to perform the duties of their positions but who do not qualify for benefits under the stricter social security definition of disability will be entitled to receive an annuity supplement under the CSSRS to make up for the lack of social security benefits.

V. Survivor Benefits

Survivor Benefit. Under the CSSRS the surviving spouse of a deceased employee or Member who completed at least 18 months of creditable service or the surviving spouse of an annuitant will be entitled to an annuity equal to 50 percent of the employee's or Member's earned annuity. The annuity of a retiring employee or Member will be reduced by approximately 10 percent to provide for such survivor protection. The 50 percent survivor annuity together with social security benefits payable to the survivor will, in most cases, provide replacement income greater than survivor benefits payable under the existing Civil Service Retirement System.

Minimum Benefit. If there is no social security benefit currently payable to the surviving spouse, the CSSRS provides a minimum benefit equal to the lesser of (1) the survivor annuity which would have been payable under the existing CSRS, or (2) the survivor benefit payable under the CSSRS plus the surviving spouse's social security benefit at age 60.

Children's Benefit. The CSSRS recognizes that while adequate benefits are paid to eligible children under social security, these benefits are discontinued at age 18 or age 19 if the child is in school. The CSRS benefits are continued until age 22 if the child is in school. The CSSRS fills this gap by providing benefits as in the CSRS from age 19 to age 22 if the child is in school.

Former Spouses. Survivor benefits for former spouses of deceased employees, Members, or annuitants under the CSSRS are provided, generally, under the same conditions such benefits are provided under the existing CSRS.

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VI. Cost-of-Living Adjustments

All retirement and survivor annuities under the CSSRS are fully protected against inflation by annual adjustments equal to the increase in the Consumer Price Index. The formula for the timing and amount of each adjustment is the same as under the existing CSRS.

VII. Thrift Savings Plan

The CSSRS combines a traditional defined benefit retirement plan with a Thrift Savings Plan to encourage employee participation in building retirement income. The thrift plan has the same design as the typical system provided by private sector employers.

Contributions. Under the thrift plan an employee or Member may voluntarily contribute through payroll withholding an amount up to 10 percent of basic pay for each pay period. For employees and Members covered by the CSSRS, the employing agency will contribute the lesser of 50 percent of the amount contributed by the employee or Member or 3 percent of basic pay. Employees and Members who are subject to the existing CSRS may participate in the thrift plan but are not entitled to matching agency contributions. Employees and Members will be afforded opportunities, at least once every six months, to elect to commence or terminate participation in the thrift plan or to amend the amounts of their contributions.

Investment Options. The employee contributions will be allocated, at the discretion of the employee, among investment funds maintained by the Federal Retirement Thrift Investment Board. The options will include funds that specialize in a particular type of investment such as Federal securities or equities. Matching Government contributions will be invested in a Government securities fund for the first 5 years, and thereafter at the discretion of the employee.

Methods of Payment. Upon separation from the service an employee or Member must elect a method by which the amounts in the employee's or Member's account will be distributed. The methods of payment will include (1) payment in a lump-sum or on an installment basis, (2) payment of a life annuity to the employee or Member, and (3) payment of an annuity to the employee or Member with a 50 percent annuity payable to a surviving spouse.

Loans and Withdrawals. Withdrawals and loans from the account of an employee or Member (limited to the employee's or

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Member's contributions and earnings on those contributions) are permitted only for the purposes of (1) purchase of a primary residence, (2) educational expenses, (3) medical expenses, or (4) financial hardship.

VIII. Thrift Plan Management System

Board. A Federal Retirement Thrift Investment Board, consisting of 5 members appointed by the President, is established to prescribe regulations for the administration of the thrift savings plan, establish policies for the investment and management of the Thrift Savings Fund, and review the performance of investments made for the Thrift Savings Fund. The members of the Board must have substantial experience, training, and expertise in the management of financial investments.

Advisory Council. The Board is required to establish an Employee Thrift Advisory Council, consisting of 15 members to be appointed by the Chairman of the Board. The Chairman is required to appoint Council members representing Federal employee and Postal Service employee organizations, postal and nonpostal managerial organizations, women in Government service, senior executives, and Federal retirees. The Council will advise the Board and the Executive Director of the Board on matters relating to thrift fund investment policies, types of investment funds, and the general administration of the thrift savings plan.

IX. Effective Dates

The provisions of the new retirement system (CSSRS) will take effect on January 1, 1987, except for the provisions relating to the thrift plan management system which will take effect on the date of enactment.

X. Government Cost

The total employer cost of the new retirement system, including social security, will be about 25.4 percent of salary. The additional .4 percent of salary over the CSRS cost of 25 percent of salary is needed to compensate for the redistribution of benefits under the social security system. At its slightly higher cost, the CSSRS provides benefits that are worth, in total, the same as the CSRS benefits.